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C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000852

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TAGS: [PREL](#) [ECON](#) [ENRG](#) [GE](#) [RS](#) [LG](#)  
SUBJECT: LATVIA/RUSSIA: POSITIVE ATMOSPHERE AT AGREEMENT  
SIGNING

REF: A) RIGA 820 B) HELSINKI 1058

Classified By: Ambassador Catherine Todd Bailey. Reason: 1.4 (D)

[11](#). (C) Summary: The Latvian visit to Moscow October 13 to sign two bilateral agreements went well and the GOL was encouraged by the positive reception by Econ/trade minister Gref. Absent was the usual Russian complaints on treatment of ethnic Russians in Latvia. The Russians expressed a desire to move forward on several other agreements in the economic area and the two sides even discussed the possibility of exchanging Prime Ministerial visits. The Latvians hope for a short Putin/Merkel/Kalvitis pull aside on the margins of the EU informal dinner October 20 and would appreciate USG officials noting to German counterparts our appreciation for their role in bringing about these improvements in Latvian/Russian relations. End summary.

[12](#). (C) Pol/econ chief met October 17 with Peteris Ustubs, PM Kalvitis' foreign policy advisor, to discuss the signing of the two Latvian/Russian bilateral agreements October 13 in Moscow (ref A). Ustubs accompanied Economics Minister Stokenbergs on the trip. Although Russian Economic/trade minister Gref was late for the meeting with Stokenbergs, he stayed for a 90 minute conversation ) far more than the originally planned hour. At the top of the meeting, Gref made comments to the assembled press on Russia's progress on WTO accession issues, which were widely reported by international media. The Latvians were pleased that all the articles then noted the signing of the agreements, giving them press visibility they otherwise would not have received.

[13](#). (C) Following the signing of the agreements on establishment of an intergovernmental commission and economic cooperation, the two sides discussed next steps. Ustubs thought it might be possible to arrange the first meeting of the intergovernmental commission by the end of 2006, but cautioned it might slip into 2007. The main issue here is that the Latvians will need to wait until a new government takes office in November before it can name its members of the commission. The Latvians would like to move forward on the previously agreed treaty on double taxation, but there is a backlog of such agreements in the Duma and the Latvians sense the Russians don't want to add to list of pending agreements. The Russians remain interested in a agreement on pensions that the Latvians are fine with and the two sides will meet in Riga October 20 to discuss a draft. Both ministers also expressed a desire to begin negotiations on an agreement to protect investments.

[14](#). (C) Ustubs said that the tone of the meeting was very warm. Gref conveyed personal greetings to PM Kalvitis from PM Fradkov and President Putin and expressed the GOR's thanks to the Latvians for the very good visits of Russian Patriarch Alexis to Latvia in May and former President Yeltsin in August. Ustubs said that Gref did not make any mention of the status of ethnic Russians in Latvia, one of the few times the GOR has not raised this issue in bilateral discussions.

Also absent was any mention of the stalled border treaty. Stokenbergs asked Gref for a signal from Moscow to regional authorities that it was permissible for them to do business with Latvia because the Latvians find that the improved relations with the center are not always reflected at more local levels. The Latvians feel that Gref was positive in this request.

15. (C) Stokenbergs raised the possibility of a visit by PM Kalvitis to Moscow, which Gref was positive about. Gref volunteered that it was also possible that Fradkov could visit Riga if invited by the Latvians. Ustubs cautioned that a Kalvtis visit would make sense only once there was a new package of agreements to be signed and suspected that Fradkov visit to Riga would only follow from that.

16. (C) Ustubs said there were a few other interesting nuggets from the trip. The Latvians were surprised to learn from the Russians about discussions with the European Commission on trade issues (nfi) that Ustubs did not think had yet been briefed to EU member states. Gref also noted that required upgrades to Russia's domestic energy infrastructure would likely require increasing the domestic price of gas to \$120 per 1000 cubic meters. Gref added that this would not happen until after the 2008 Russian presidential elections. Gref was also very upbeat on Russian cooperation with Boeing, especially on engineering activities.

17. (C) According to Ustubs, the next step is that he hopes that German Chancellor Merkel will arrange a short pull aside between herself, Putin and Kalvitis at the October 20 informal EU dinner to which Putin is invited (ref B). He asked that USG officials, in contacts with German chancellery officials, express our appreciation for German efforts to

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improve Latvian/Russian relations. (ref A)

18. (C) Comment: The Latvians may be getting a bit ahead of themselves in their desire to begin negotiating new agreements even before the ink has dried on these two and they are put in to practice. Nevertheless, they see a window of opportunity here that they want to seize. Their expectations on the possibility of reciprocal Prime Ministerial visits -- the MFA sees them as 6 - 12 months away -- strike us as more measured. From this mission's standpoint, we would appreciate any effort by USG officials to express to German officials our understanding of their role in recent events and our hope that they can continue to play a constructive role in improving Latvian/Russian relations.

BAILEY